

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 IO-12 GAC-01 ACDA-19 OMB-01 TRSE-00

EB-11 CIEP-02 COME-00 AGR-20 SIL-01 LAB-06 HEW-08

CIAE-00 DODE-00 PM-09 H-02 INR-10 L-03 NSAE-00 NSC-10

PA-03 RSC-01 PRS-01 SS-15 USIA-12 RSR-01 CEA-02 /176 W

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R 171645 Z MAY 73

FM AMEMBASSY DUBLIN

TO SECSTATE WASHDC 4669

INFO AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

AMEMBASSY LUXEMBOURG

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY COPENHAGEN

USMISSION EC BRUSSELS UNN

USMISSION OECD PARIS UNN

UNCLAS SECTION 1 OF 2 DUBLIN 0644

E. O. 11652: N/ A

TAGS: ECON, EFIN, ELRP, EI

SUBJ: IRISH COALITIO N' S BUDGET RAISES BENEFITS, TAXES,
AND DEFICIT

SUMMARY: GOI FINANCE MINISTER RICHIE RYAN PRESENTED
1973/74 BUDGET TO DAIL MAY 16. CURRENT BUDGET CALLS
FOR EXPENDITURES OF 795 MILLION POUNDS STERLING WITH
DEFICIT OF 39 MILLION POUNDS. PUBLIC CAPITAL BUDGET
SET AT 331 MILLION POUNDS, WITH 37.7 RAISED FROM
RESIDUAL BORROWING AND THE REST FROM RESOURCES
(INCLUDING 55 MILLION IN SALES OF SECURITIES).
TOTAL REACHES OVER 1.1 BILLION POUNDS, ABOUT 200 MILLION
MORE THAN 1972/73. NEW BUDGET WILL INCREASE SOCIAL
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AND OTHER BENEFITS BY 44 MILLION POUNDS AND TAXES BY 21 MILLION POUNDS. REACTION FOLLOWS IN SEPTTEL. END SUMMARY.

1. THE IRISH COALITION GOVT PRESENTED ITS FIRST BUDGET TO THE DAIL MAY 16, IN MARATHON SPEECH BY FINANCE MINISTER RYAN. HE OPENED BY NOTING THAT ECONOMY MOVING UPWARD RECENTLY AND PREDICTED REAL GROWTH RATE OF SLIGHTLY OVER 4 PERCENT FOR 1973, COMPARED WITH 3 PERCENT FOR 1972. RYAN SAID THIS WAS INSUFFICIENT TO TAKE UP SLACK AND GOI HAD DECIDED TO EXPAND ECONOMIC ACTIVITY TO OBTAIN HIGHER GROWTH RATE (5.5 PERCENT IN TWELVE MONTHS TO MID-1974). HE NOTED MAJOR PROBLEM OF INFLATION (TEN PERCENT YEAR ON YEAR ENDIN FEB 1973) AND SAID THAT WHILE MUCH OF STIMULUS WAS OUTSIDE IRISH CONTROL, SOME SLOW-DOWN COULD BE CONTRIBUTED BY REDUCTION IN WAGE AND OTHER INCOME DEMANDS.

2. RYAN ALSO HIGHLIGHTED BUDGETARY (GROSS SAVINGS OF 33 MILLION POUNDS MINALLY IN AGRICULTURAL SUPPORTS) AND OTHER BENEFITS IRISH WERE GAINING FROM EC MEMBERSHIP. FARM PRICES HAD RISEN BY 20 PERCENT, OUTPUT BY TWO PERCENT AND INCOME BY 35 PERCENT IN 1972, EVEN BEFORE IRISH ENTRY. FURTHER SUBSTANTIAL INCREASES EXPECTED IN 1973. RYAN APPEARED TO BE SIGNALING THAT IRISH FARMERS WERE AT LONG LAST FALLING WITHIN INCOME TAX NET, BUT THIS DID NOT MATERIALIZE. RYAN ALSO MENTIONED BENEFITS IRELAND HOPED TO ACHIEVE FROM EC ECONOMIC AND MONETARY UNION AND REGIONAL POLICY.

3. RYAN INDICATED THAT 1972/73 FIANNA FAIL BUDGET WHICH HAD BEEN SUPPOSED TO STIMULATE ECONOMY AND HELP MODERATE PRICES HAD IN FACT STIMULATED INFLATION AND CONSUMPTION MORE THAN GROWTH. PROPOSED DEFICIT OF 34.8 MILLION POUNDS IN 1972/73 CURRENT BUDGET HAD BEEN REDUCED TO 5.5 MILLION POUNDS. HE EXPECTED EVEN GREATER BUOYANCY INCREASE IN TAX RECEIPTS IN 1973/74 FINANCIAL YEAR (APRIL 1 TO MARCH 31).

4. RYAN SAID THAT LOWERING UNEMPLOYMENT AND INFLATION, IMPROVING RELATIVE POSITION OF LOWER PAID WORKERS AND UNCLASSIFIED

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SOCIAL WELFARE BENEFICIARIES, AND DEVELOPING INFRA-STRUCTURE TO HELP IRELAND COMPETE IN EUROPEAN ECONOMIC AREAS WERE MAIN PRIORITIES OF 1973/74 BUDGET STRATEGY. GOI CONCURRED WITH OECD JUDGMENT THAT IRISH ECONOMY NEEDS CONTINUING STIMULUS OF SUBSTANTIALLY INCREASED GOVT EXPENDITURE BOTH IN CAPITAL AND CURRENT BUDGET PROGRAMS. FURTHER INCREASE IN CURRENT EXPENDITURE

WAS IN FACT UNAVOIDABLE IF GOI TO HONOR SOCIAL COMMITMENTS
OUTLINED IN PRE- ELECTION PROGRAM RYAN SAID GOI HAD
DECIDED TO FINANCE NEW INCREASES IN SOCIAL BENEFITS
BY BOTH BORROWING AND INCREASED TAXATION IN AREAS WHERE
IMPACT WOULD BE BORNE MAINLY BY BETTERS- OFF.

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PA-03 RSC-01 PRS-01 SS-15 USIA-12 CEA-02 RSR-01 /176 W
----- 092000

R 171645 Z MAY 73
FM AMEMBASSY DUBLIN
TO SECSTATE WASHDC 4670
INFO AMEMBASSY PARIS
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USMISSION EC BRUSSELS UNN
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5. SOCIAL WELFARE IMPROVEMENTS, INCLUDING INCREASES IN
RATE OF SOCIAL INSURANCE AND SOCIAL ASSISTANCE,
DISABILITY AND UNEMPLOYMENT BENEFITS, UNEMPLOYMENT
ASSISTANCE AND MATERNITY BENEFITS, AND CHILDREN'S
ALLOWANCES, WILL INVOLVE EXPENDITURE OF 51 MILLION
POUNDS AND COST EXCHEQUER 39 MILLION POUNDS IN CURRENT
FINANCIAL YEAR. HOWEVER, CHILDREN'S ALLOWANCES FOR
TAXPAYERS WITH INCOMES EXCEEDING 2500 POUNDS
WILL BE REDUCED. QUALIFYING AGE FOR OLD AGE
PENSIONS WILL BE REDUCED FROM 70 TO 69 YEARS AND MEANS
TEST GREATLY EASED. GOI ESTIMATES OVER 700,000 PEOPLE
WILL BENEFIT FROM SOCIAL WELFARE IMPROVEMENTS (WHICH

AS " IRISH TIMES" NOTED MAKES BUDGET HIGHLY POLITICAL
WITH PRESIDENTIAL ELECTION TWO WEEKS AWAY).

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6 RYAN SAID GOI WOULD REMOVE VAT FROM FOOD AND ORAL
MEDICINES ON SEPT 1 AND COMPENSATE BY RAISING VAT ON
OTHER ITEMS INCLUDING ALCOHOL, TOBACCO, PETROL, FUEL,
ELECTRICITY, CLOTHES, FOOTWEAR, BOOKS, NEWSPAPERS,
FURNITURE, ELECTRICAL EQUIPMENT, HARDWARE, CARS,
MOTORCYCLES, RADIO AND TV SETS, PHONOGRAPHS AND RECORDS.
EXCISE TAXES ON CIGARETTES, SPIRITS, AND BEER WOULD BE
INCREASED AS WELL AS MOTOR TAXATION RATES, AUTO LICENSE
FEES, AND POSTAL AND TELEPHONE RATES. (IRELAND RETAINS
ITS POSITION AS EC MEMBER MOST HEAVILY RELIANT ON
INDIRECT TAXATION).

7. GOI WILL RAISE EXEMPTIONS AND ABATEMENTS FROM ESTATE
DUTIES, IN MOVE TOWARD REDEEMING PRE- ELECTION COMMITMENT
TO ABOLISH DEATH DUTIES AND SUBSTITUTE NEW FORM OF
TAXATION OF CAPITAL. RYAN SAID GOI WAS STUDYING LATTER
IN DEPTH AND WOULD PUBLISH WHITE PAPER. HE ALSO SAID
GOI WOULD INTRODUCE NEW UNIFIED PERSONAL INCOME TAX
STRUCTURE, WITH GRADUATED RATES, AND ANNOUNCED MEASURES
TO COPE WITH EVASION AND AVOIDANCE. ALLOWANCE FOR
WIFE' S EARNED INCOME RAISED FROM 74 TO 104 POUNDS.

8. OTHER NEW FEATURES PROPOSED INCLUDE: 1) ACCEPTANCE
OF PROPOSALS OF REVIEW BODY ON HIGHER REMUNERATION IN
PUBLIC SECTOR, WHICH MEANS MINISTERS AND DEPUTIES AS
WELL AS CIVIL SERVANTS WILL GET SUBSTANTIAL INCREASES;
2) FOREIGN AID BUDGET DOUBLED TO 1.5 MILLION POUNDS;
3) TAX RELIEF FOR INVENTIONS DEVELOPED IN IRELAND; 4)
TAX CONCESSIONS FOR HUMAN RIGHTS ORGANIZATIONS; 5)
REDUCED STAMP DUTIES FOR HOUSE BUYERS; 6) REVIEW OF
TAXATION ON MINING; 7) SHIFT TO CALENDAR YEAR AS FINANCIAL
YEAR BEGINNING IN JAN 1975; 8) EXTENSION OF PROGRAM
BUDGETING; AND 9) BONUSES FOR SAVINGS HELD IN NATIONA
SCHEME BEYOND MATURITY.

9. RYAN SAID THAT DEFICIT IN PRE- BUDGET EXPENDITURE
ESTIMATES PLUS NEW PROPOSALS TOTALED 64 MILLION POUNDS,
WHICH WOULD BE OFFSET BY 25 MILLION IN TAXATION
INCREASES AND MONIES LEFT UNSPENT FROM LAST YEAR.
REMAINING 39 MILLION POUND DEFICIT WOULD PROBABLY BE

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REDUCED BY EXPANSIONARY EFFECT OF BUDGET ON ECONOMIC

GROWTH.

10. RYAN CONCLUDED THAT BUDGET WAS LARGEST IN IRISH HISTORY WITH PRIMARY PURPOSE, WITH ROOM FOR MANEUVER ALLOWED BY INFLATION, OF PROVIDING SIGNIFICANT SPUR TO ECONOMIC GROWTH, INCREASING EMPLOYMENT AND REDUCING UNUSED CAPACITY. HE DESCRIBED " IMPRESSIVE" SOCIAL IMPROVEMENTS AS " MAJOR MOVE TOWARD CREATING SOCIALLY- JUST STATE" AND TAX SHIFTS AS EFFORTS TO MORE EQUITABLY RELATE TAXATION TO ABILITY TO PAY. RYAN CALLED ON REPRESENTATIVES OF DIFFERENT INTERESTS TO WORK WITH GOI SO THAT IMPROVEMENTS WOULD BE REFLECTED IN FUTURE INCOME AND WEALTH DISTRIBUTION.

11. COPIES OF BUDGET MATERIALS BEING FORWARDED VIA NORMAL CERP CHANNELS. REACTION AND COMMENTS FOLLOWS VIA SEPTTEL. SORENSON

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*** Current Classification *** UNCLASSIFIED

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